DOW THEORY LETTERS INC.

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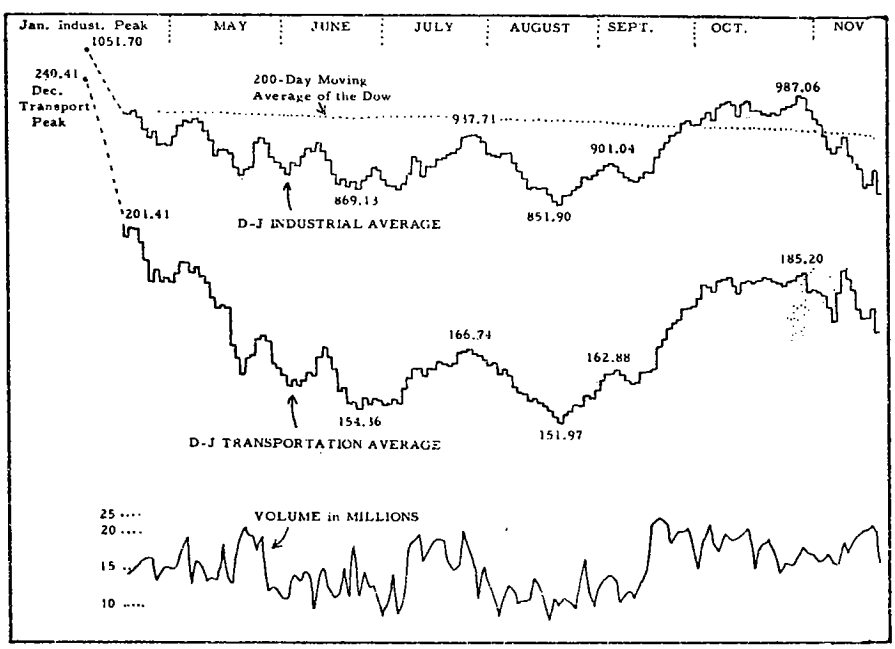
Nov. 9, DJIA 901.41, PTI 711, A-D ratio -15.73
Nov. 16, DJIA 891.33, PTI 689, A-D ratio -16.53

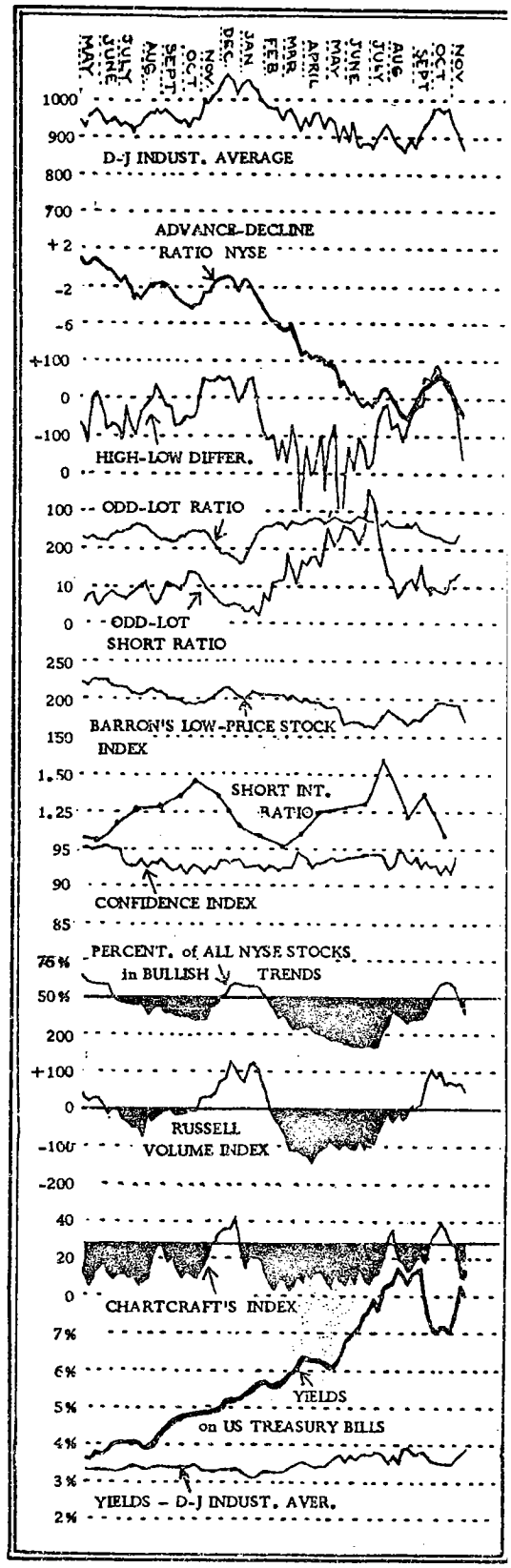
THE PICTURE: My friend John Magee (who co-authored the classic, "Technical Analysis of Stock Trends") has a sign on his office wall reading, "Don't bother me with facts; my mind is made up." Over the past few weeks mind-boggling news has been flowing so thick and fast that I feel like doing what John Magee is famous for — locking myself in a room (without radio or newspapers) and drawing unemotional conclusions based strictly on the charts.

The oil crisis and the ending of the two-tier gold policy have thrown the public, the market and most of the world's investors into utter confusion. In fact, I would say (1) That I have never seen a time of such perplexity on the part of the public, such manipulation on the part of governments, and such stupidity on the part of political leaders. (2) I must also state that I have never seen such a fascinating period in world history. Now I must blushingly reveal a secret which I will make known to readers. I believe I have a fair idea of what is going on in the world — and it has very little to do with what one reads in the papers or hears out of Washington or anywhere else.

To my mind, there are three ways of looking at the current market situation. The first is the "Why" or "Because" approach. You just glance at the cover of the current Newsweek, which shows a shivering American with the title, "Running Out of Everything." You read the newspaper headlines about rising interest rates, Nixon, Watergate, slumping car sales, chaotic energy shortages, the threatening Arab-Israeli situation, the gathering European slump, the impending fall of Southeast Asia to the Communists — and you say, "Ah, it's awful, it's unbearable, no wonder the market has been collapsing, no wonder."

Then there's the Dow Theory and the technical approach. That viewpoint states that this has been a long, fantastically deceptive bear market, one that has been in effect since February, 1966. The bear market has (so far) broken its participants





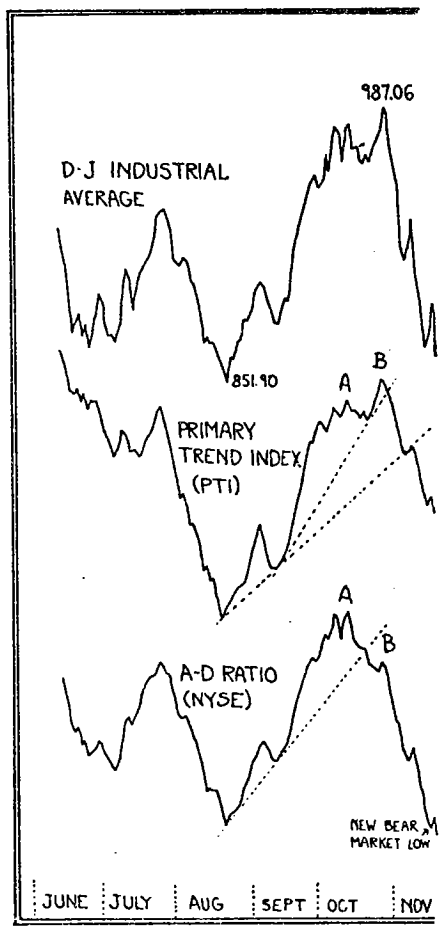
one by one. It has driven the small investor to the sidelines, it has sent the "Go Go" boys back to waiting on tables, it has ravaged the funds, it has given the bond men gray hair, it is currently giving the institutional and pension fund managers "acid stomach." And yet the Dow has come back again and again, each time clawing its way up to the 900 level (seven times since 1966, to be exact). Despite the many "rejuvenations," Dow Theorists know that the longer the primary trend is held back (in this case the primary bear trend), the more vicious and insistent the ultimate resumption of the trend.

The third approach, and this is the one I use, entails a classic Dow Theory viewpoint (with occasional Elliot Wave insertions) and the additon of my own ideas and explanations. I'll admit to a fascination with the underlying reasons. "Man does not live by bread alone," states the Son of Man, and I don't seem to be able to live by charts alone. Thus, you have Dow Theory Letters — charts to show you what and where, with theories and explanations in an attempt to tell you why.

Now, to get to the current market, I look upon the whole (literally vertical) rise of the Dow from August to October, 1973, as a classic bear market (upward) correction. I view the action since the October Dow high of 987.06 as a "return of the bear." The last Letter pointed to the severe technical deterioration as did the preceding Letter (579). Therefore, the collapse of the market since October 26 should not have come as any great shock to readers of these reports. The real "miracle" (and I have tried to analyze this in Elliot Wave terms both in the last report and in this one) is that the Dow has managed to hold for so many years within the 800-1000 zone — in the face of the continuing slump in the great majority of other issues.

If you study the page 1 chart of the Averages, you will see a classic example of Dow Theory non-confirmation. Industrials hit their peak of 987.06 on October 26, 1973. A day later Transports recorded their own high of 185.20. Next came a sharp slide to November 6, followed by a new rally. The rally took Transports to a fresh peak of 186.13 on November 8. Industrials did not even try to confirm. November 9 saw the decline resume with characteristic viciousness.

A review of the technical damage since then is most instructive. On November 6 the Chartcraft percentage of all NYSE in bullish trends turned negative by dropping under the 50% level (see page 1 chart, also see Letter 576, page 3). On November 7 the most-active stock index (MAS, see last Letter) fell to minus 54, lowest level since the August bottom. On November 13 the bellwether D-J Utility Average broke its August bottom of 94.55, thereby smashing to its lowest level since 1960! Not to be outdone, the advance-decline ratio for the NYSE on November 13 broke its August bear market low. In doing so, it fell to its lowest level since the 1940's! If any readers or other investment advisors still harbor the thought that this is a primary bull market, I will simply say that bull markets don't produce 13-year lows on one of the D-J common stock Averages. And they seldom see new A-D ratio lows, following violent vertical rallies as the August-October affair.



Letter 578 included my chart of the Dow, the Primary Trend Indicator (PTI, which is my own composite indicator of 8 critical technical indices), and the advance-decline ratio. I drew attention to the October 8 highs (A on accompanying chart) on the PTI and the A-D ratio, and the later new high on the PTI (October 28, B on the chart) which was unconfirmed by the A-D ratio. I stated that this action appeared to be a repeat of the 1972 weakness. But in the last Letter I updated this chart, showing that the PTI was breaking down along with the Dow. I commented that "...what we have now is an even more bearish pattern than the one which developed in 1972 and which led to the early-1973 collapse." At the time of that writing, the major trendline in the PTI was just reversing to the downside. The aftermath was a market smash taking the Dow to 869.88 (November 14).

On November 15 President Nixon offered hope that the oil embargo would soon be lifted (showing that he has no real fundamental grasp of the situation), and on these vacuous words the market put on a technical rally. Over the weekend the Arabs moved to split Europe and the US even further by promising to skip the slated December 5% oil cutback for Europe, while continuing the cutbacks for Uncle Sam. Monday (Nov. 19) saw the market decline resume in earnest, while sundry nationally known "econometric computers and crystal balls" lit up to say that a "major recession" might be the US's fate for 1974. I want to remind subscribers that we have not had a "recession" within the context of a true primary bear market for a quarter of a century. If this economy lapses into recession (autos and housing are there now), it is not going to be just "major." It is going to be historic!

Technically, the PTI has not yet sunk to a new bear market low. With Monday's market sending the Averages reeling to lower levels, we may as well look at the larger picture which is the 1973 lows. Here we have the Industrial low of 851.90

and the Transport low of 151.97 (August 22). With Utilities and the A-D ratio leading the way to new depths not seen in decades, the longest bear in history is again showing its gleaming claws. Blame it on the Arabs, blame it on interest rates, blame it on Washington, blame it on our financial stupidity, the Dow Theory said that the bull market ended in February, 1966. After day comes the night. After the bull comes the bear. It is my opinion that if 851.90 (Industrials) and 151.97 (Transports) are broken on heavy volume, night will have arrived.

As of November the Dow had moved into the vicinity of its August low (as I suggested it would), the PTI had suffered almost irreparable damage, and the A-D ratio had wiped out all of the gains of the entire late-1973 rally. What more can be said? The indicators have performed faithfully, the market is in tatters, and the decline has been one of the most brutal that I have seen in 25 years of watching markets.

What are the technical plusses? First, the Transports (see chart on page 1) have not confirmed the downside (they have not yet penetrated their November 6 low of 173.71). Second, the PTI has held up better than either the Dow or the A-D ratio. This could mean that the stage is being set for a decent Dow rally, as described in the last two Letters. However, my work tells me that the next advance will be poor on breadth, the majority of stocks will not make good showings (in other words, the A-D ratio will continue to look poor against the Dow and the PTI), and that the rally will basically be a selling area of those who were not smart enough to get out earlier.

When the ultimate bottom for this bear market is seen, I predict that the advance-decline ratio will put on a performance which will be extraordinary for its persistence on the upside. The A-D ratio will climb, push, plow upwards with a persistency which will make fortunes for those who hold diversified portfolios of common stocks. Since 1966 (with the exception of a few months in late-1970 and early-1971), the A-D ratio has acted just the opposite. It has traced out a continuous line of declines which have pulverized the stock portfolios of investors and speculators across the nation.

FIBONACCI: In the last mailing I presented my latest Elliot Wave interpretations. Elliot is based to a large extent on an extraordinary series of numbers known as the Fibonacci series (named by the famous Italian mathematician, Leonardo de Pisa). The series has the following properties, among others. (1) The sum of any two numbers forms the next number as follows. 1 and 1 equal 2, 2 and 1 equal 3, 3 and 2 are 5, and so on to 8, 13, 21, 34, 55, 89, 144, 233, 377, 610, 987, etc. Keep these numbers in mind!

(2) The ratio of any number to the next higher number is 61.8 to 100.
(3) The ratio of each number to its next lower number is 161.8 to 100.
(4) The ratio 1.618 multiplied by .618 equals 1.
(5) Of interest are the Fibonacci measurements of the Great Pyramid of Gizeh, (many believe that the Great Pyramid contains divine messages of revelation). The Pyramid's angle of elevation to its base is 61.8%, and the number of inches in its height is exactly 5813 (all Fibonacci numbers). A pyramid, of course, has 3 sides.
(6) The Fibonacci numbers appear repeatedly in nature, five appendages of man (head, two arms, two legs), five fingers, five toes, five senses, five openings of the face (two nostrils, two eyes, mouth), age of maturity 21, beginning of teen-age years 13, in music we have the octave made up of 13 keys, 8 white, 5 black, trees always branch from the base in Fibonacci series, etc., etc. These are only a very few examples.

In the stock market Elliot students know that bull markets tend to develop in series of 3 advancing waves separated by 2 declining waves (total 5). Bear markets tend to develop in two declining waves separated by an upward correction (total 3). Total of major movements in an entire bull and bear cycle is 8.

I have gone into the Elliot interpretations of movements in many preceding Letters including the last. But I have not mentioned Elliot periodicity, which is a fascinating phenomenon.

I list below a number of Fibonacci time spans in years which I feel are beyond coincidence:

1907 panic low to 1962 panic low 55 years.
1949 major bottom to 1962 panic bottom 13 years.
1932 crash bottom to 1937 bull top 5 years.
1937 bull top to 1942 depression bottom 5 years.
July, 1932, final bottom to March, 1937 bull top 89 months.
(I could list many more).

1921 depression low to 1942 depression low 21 years.
1921 bull bottom to 1929 bull top 8 years.
1929 bull top to 1942 depression bottom 13 years.
Sept. 1929, bull top to July, 1932, final bottom 34 months.
January, 1960, top to Oct., 1962, bottom 34 months.

Now, for the first time, I want to bring this study up to date. We know under Dow Theory that the last great primary bull market started in on July 13, 1949 (notice the 13). According to Dow Theory, the bull market ended in February, 1966.

The lowest point of the bear market which began in 1966 was the 631.16 of May 26, 1970. According to my interpretation of Fibonacci date, the year 1970 was a most important year. Observe these relationships.

1949 (beginning of primary bull market) to 1970 was 21 years.
1957 (end of second phase of bull market) to 1970 was 13 years.
1962 (year of major panic cave-in) to 1970 was 8 years.
In my opinion, the recurrence of Fibonacci relationships pointing to 1970 as a key year are too numerous to be brushed aside as mere "coincidence."

Now, from February, 1966 (the month of the bull market top),to July, 1973 (July was the month when many averages struck bottom such as the NYSE, Amex, Value Line, IDA, etc.),was exactly 89 months. Is that another sheer coincidence?

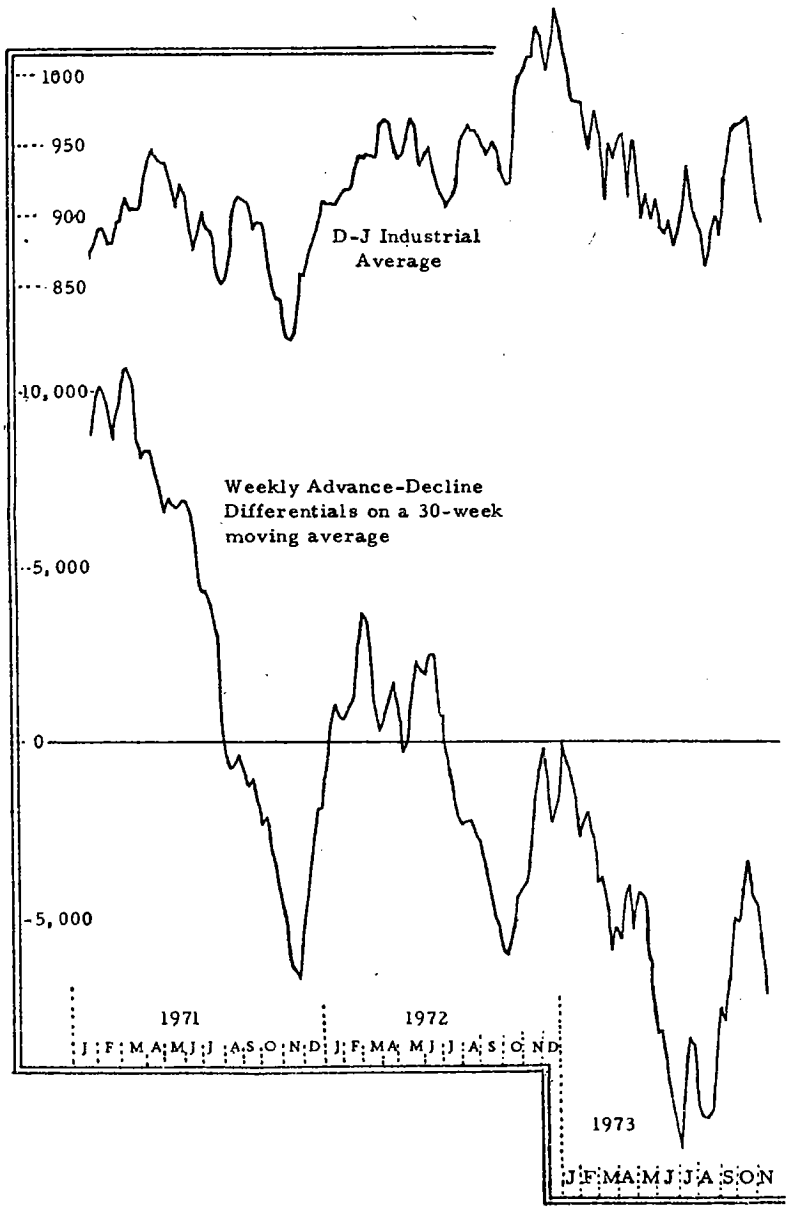
If so, then here is the next "coincidence." The Dow hit its August, 1973, low at 851 (8, 5, 1 are all Fibonacci numbers). And then the most extraordinary of all. The peak of the recent rally came at 987, which is also a perfect Fibonacci number! (See Fibonacci numerical series at beginning of this piece).

My conclusion is that 1970 was a very critical year for the market, and that the final bottom will likely be measured in terms of Fibonacci numbers from 1970. Second, I believe that the 987 peak in the Dow (Oct. 26, 1973) was a very important point and probably represented the last top. Next, I am postulating that the final bottom for the current primary bear market could come either five years from the critical year 1970, which would make the bottom 1975 — or eight years from 1970 or 1978. If I had to guess, I would say that the final bottom will come in 1975. As to a "Fibonacci guess" regarding the final bear market low for the Dow, I will guess a figure of 61.8 percent of the peak 1051 Dow figure (recorded in October, 1973). That figure would be 649, which corresponds roughly to the figure put forth in the last mailing (see Elliot section).

WHAT'S REALLY HAPPENING: Each week Barron's (and many Sunday newspapers) publish the break-down of the advances and declines for the week. For instance, on a given week 800 stocks may have advanced while 600 declined. That provides a plurality of plus 200 for the week. In order to obtain a long-term view of what is really happening to the majority of NYSE issues, I arrange these weekly advance-decline pluralities in the form of a 30-week moving average.

The 30-week MA of the A-D ratio, as shown on the accompanying chart, presents a most informative picture. From the violent rally following the 1970 crash (not shown), the 30-week MA rose to plus 13,000 in March, 1971. This is the peak depicted on the chart. By late-July of that year the MA had dropped into minus territory as the Dow sunk to the 1971 low of 797.97. The next advance, which carried into 1972, saw the MA move temporarily into the plus area (the MA reached plus 3,300 in March, 1972).

But in July of that year the MA dropped back into minus territory, again indicating that despite the strength in the Dow the majority of NYSE issues were putting on a sorry performance. The final Dow surge to a January, 1973, high of 1051.70 succeeded only in taking the MA back to zero. Following that effort, the mass of stocks, as measured by the 30-week MA, sank again (as the MA crumbled to a minus 11, 600) in July. This horrendous low was well under the 1970 bear market bottom (at which time the Dow was 631.16).



Note that the latest rally, which saw the Dow top at 987.06 (October 26, 1973), took the MA back to minus 3200. The 30-week MA is showing us that the mass of issues are continuing in their downtrends. It is showing us that since July, 1972, the direction of the majority of stocks on the NYSE has been down. This is the reason the funds, the public and the average investor is "under water" on the great majority of stocks purchased during the past three or four years or more.

My own guess is that the 30-week MA will remain under zero for the duration of this primary bear market. The government pump-priming is about exhausted, the inflation is no longer bullish, the patient is too sick. It has been a market under distribution as we can see on the chart.

When the next true primary bull market gets under way, we will see the long-term or 30-week MA of the advance-decline ratio swing up into plus territory and stay there for many months at a time. This will imply accumulation, it will imply that the great majority of NYSE stocks are advancing, pushing higher. That will be a vastly different picture than the dismal one we see today.

GOLD: Gold must be very powerful. Why do I say that? Well, what else could make so many grown men in high places come out with lie after lie after lie? I'm not going to list all these gentlemen by name, but suffice it to say that over the past week we have heard the following: (1) There isn't enough gold for use as a monetary base. Pure bunk. In the history of the world there has only been enough gold produced to fill one large farmhouse. But it isn't the quantity (as a matter of fact, gold's scarcity and the limits of production are what insures its value), it's the value. There's always been enough gold for monetary backing. All that is needed is a major boosting in the price. (2) Gold fluctuates too wildly to be used as a monetary base. Again, bunk, since the value of the gold can be fixed by agreement. It is the currencies which may fluctuate wildly against gold.

(3) It was the US (so Mr. Burns implied) that decided to end the gold arrangement with the six European nations. This one hardly deserves answering. (4) The various central banks might now sell gold on the free market, driving down the price (nothing has been said about their increasing gold reserves!). Question, what will they sell gold for — more dollars, rubles, perhaps yen? (5) The US backed out of the gold agreement to hurt Russia, which is a big gold producer. Variation, the two-tier system was abandoned to teach the Arabs a lesson, since they hold much gold. I haven't heard Russia or the Arabs complain yet, have you? (6) It is stated that none of the major nations have any intention of buying gold on the open market. My comment — don't wait for an announcement prior to purchases.

Enough of the lies, propaganda and hypocrisies about gold. Here is my interpretation of the current gold-monetary-oil picture. (1) Gold had been fluctuating within a 5% range of $100 since early August. This was the result of a secret agreement (Europe, Japan, Russia, S. Africa) to stabilize the price of gold prior to setting up a system of gold settlements between central banks as outlined in Letter 578. (2) The Arabs had become phobic about the massive build-up of paper currencies (dollars) in their coffers as their bargain-priced oil flowed out steadily to an inflation-ridden world. The Arabs (with a Russian OK) decided to kill two birds with one stone; first, knock off Israel, second, get a huge price boost for their oil via a war crisis. They got the oil price boost, but not the victory over Israel.

The Arabs are now getting more money for less oil. But they still want (1) a convertible or gold-back currency for their oil, and (2) all their land as per the pre-1967 Arab-Israeli war boundaries. The Arabs, have decided that they have the clout. That clout is the world's thirst for their oil.

So the next step for the Arabs was — an oil embargo (with Russia standing by in full military dress). Result of embargo — panic. Second result — Europe moved away even further from the US, Europe put the pressure on Israel for a pre-1967 settlement. Third result — Europe dissolves the two-tier gold nonsense (a slap in the US's face), preparatory to developing a convertible currency that the Arabs will swap oil for. Fourth result — total bewilderment on the part of the investment world regarding the gold picture, and a selling of gold and gold shares by the "weak sisters." This created a great buying opportunity for quick purchases of gold shares (on November 15) by sophisticated investors.

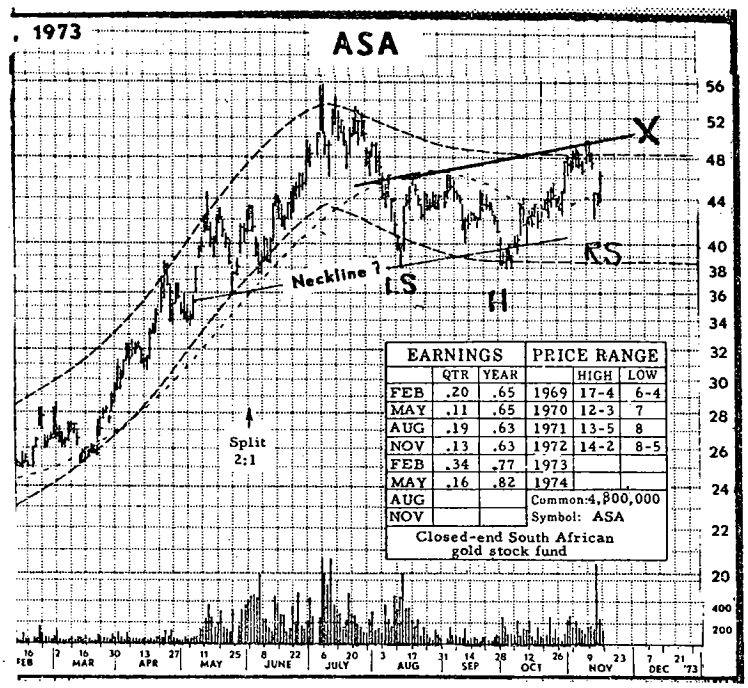
Coming up next — massive pressure by Europe, Japan and Russia for Israel to move to the pre-1967 boundaries. Then — a new higher price for gold out of Europe (with the US left in the dark). Remember, the Arabs would rather have a low price for gold, for then they could convert their hoard of dollars into more gold, and they could sell their oil for "cheap" gold. But Europe wants a high gold price, since the higher the gold price, the more oil they will be able to buy with their gold. And that will be the "deal," high-priced gold for the 1967 Israel-Arab boundaries.

On November 15 a most significant report came over the Reuters tape (Dow, Jones never seems to carry these). In line with the gold situation as outlined in Letter 578, Europe seems to be readying the situation for a 1974 revaluation of gold. Excerpts of the Reuters report follow:

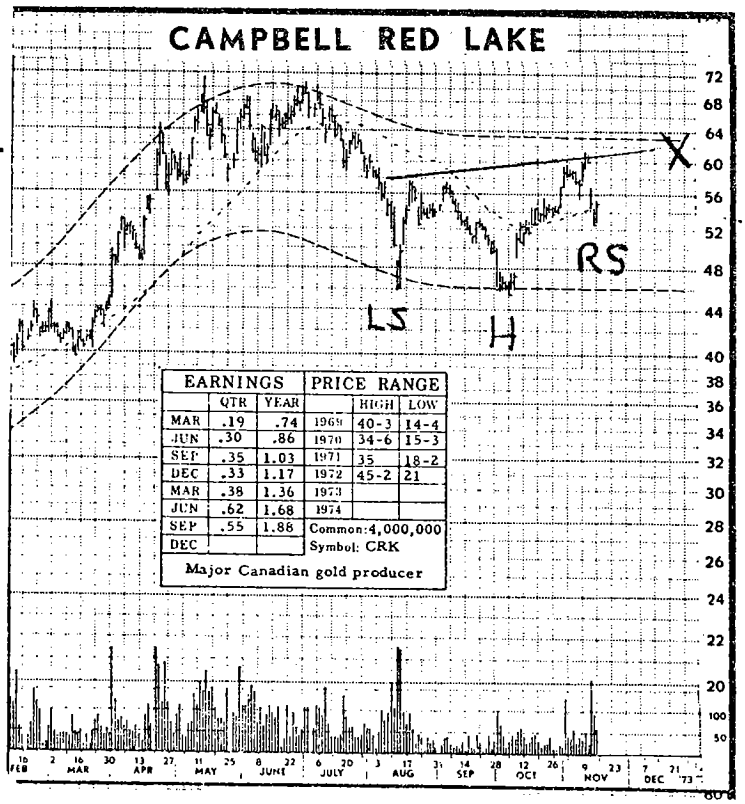
"November 16, 1973; Brussels:
Common Market Commissioner Wilhelm Haferkamp said the end of the two-tier gold agreement should open the way for the Common Market to revalue gold for official transactions between member states.

"Answering questions at a press conference here, Haferkamp said that the fixing of a Common Market price for gold "could be a new opportunity to assert the separate identity of the community." Haferkamp, commissioner responsible for economic and financial affairs, made the remarks while presenting to the press the commission's proposals for the transition of the second stage of the ECC economic and monetary use at the end of this year."

One thing is clear. The US is still on its stubborn, mindless anti-gold track. Over the past week any number of ignorant or downright false statements have come out of Washington regarding gold — all calculated to confuse the public. The result of this continuing US anti-gold nonsense is that America has now dropped out of the picture as far as gold policy is concerned. Europe has pulled far away from the US on the monetary front.
America has become the "monetary illiterate," the "fiat fool" of the Western World.



Everyone is wondering what last week's "Two-Tier bust-up scare" did to the golds. My answer is that I believe it gave the gold shares the final shakeout, it caused all the weak hands to throw in their shares. To see what occurred, you need daily charts, and for these I use charts put out by Trend Guide, Box 35, Jacksonville FL 32250. Last week's sell-off formed right shoulders (RS on the charts, with the necklines at X). What I am showing here are "head-and-shoulders" bottoms. The big breakout on ASA should come above the neckline at around 52, for Campbell it should come at a price of 62. Those targets, if attained, should set off a major gold share rise. These two stocks are bellwethers in the Gold Group.



As I write this a new report has come in from Bill Tehan (one of the real gold brains) of P.R. Herzig & Co., in NYC. States, Tehan, "...the breakdown of the two-tier gold pricing system carries an ominous and foreboding message:
1) It has destroyed the last remaining thread of hope for monetary reform.
2) It signals the failure of credit inflation or government intervention in the free market as a means to prosperity.
3) It sets the stage for the greatest credit liquidation or money panic in modern monetary history which we feel will move the free market price of gold to $200.00 per ounce in 1974."

"The two-tier pricing system for gold bullion was essentially an attempt to substitute inflated currencies for gold bullion as money."

Bill winds up his report with the following: "In summary we would say that formation of the Gold Pool was a positive effort to stabilize the US dollar. Termination of further gold sales by central banks through the Gold Pool in 1968 and the formation of the two-tier gold

pricing system was in effect the transition from a positive effort to support the dollar through sales of gold bullion from central bank reserves to a neutral position on gold purchases by central banks for their reserves. Today's announcement of dissolution of the two-tier gold pricing system removed the last barrier to central bank gold purchases and signals the shift from the neutral position established in 1968 to a positive attitude toward gold purchases for central bank reserves. Finally, the abolition of the two-tier gold pricing system emphasizes the function of gold as the world's ultimate money."

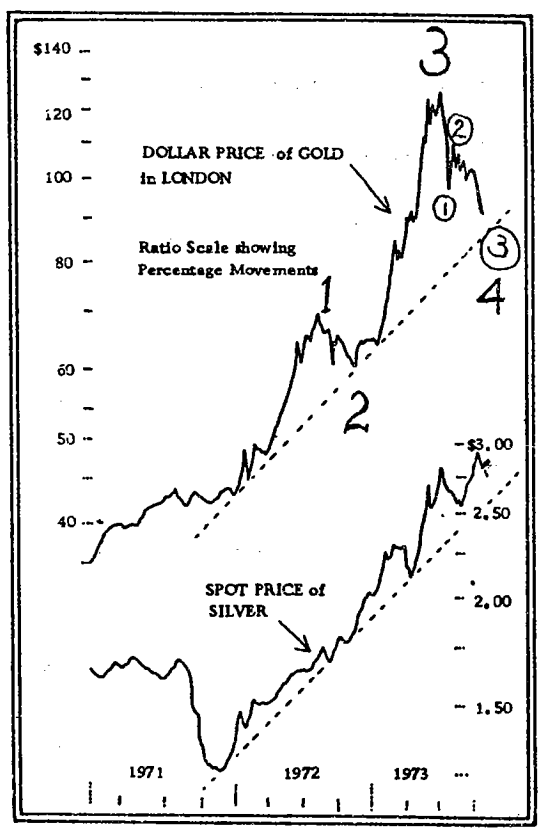
YES, THIS IS AN EIGHT-PAGE LETTER: I'm sorry, but I couldn't get it all on the usual six. This is also Monday, and I am totally swamped with the regular Monday mountain on incoming mail, market services, magazines, notes, letters from subscribers. Dick Stinson of Financial World (today's issue, November 21) has written one hell of a good article on Elliot, in which yours truly is prominently featured. Dick writes a note asking what I think of the piece. "Dick, I thought it was tops!"

I'm going to be at Jim Dine's Monetary Conference in L.A. It takes place February 8, 9, 10 at the Beverly Wilshire, yet. Cost $600, and send checks fast to Dines, 18 E. 41st St., NYC 10017. Oh yes, only $300 if you bring your wife. Dines's secretary wanted to know what I am going to talk about. How do I know at this time? We'll have to see what's left of everythink by February. But my talk will probably be something like "The Psychology of Gold Fever." Guess this means I'll have to buy a new shirt.

I just got a "Special" sell bulletin from the Zweig Forecast. My hat (what hat?) off to Marty Zweig. After being a rampant bull, he starts, "It's very easy for thought to become paralyzed when the market goes against one's position. The glimmer of hope that the market will finally rise (as in this case) can often crush rational thinking and eventually wreck one's portfolio." Absolutely right, Marty, and I admire you for your stand. Zweig states that "the bull base built during the summer has been destroyed." I might add that William Hamilton, great Dow Theorist Editor of the Wall Street Journal, wrote that "pride of opinion" had broken more men on Wall Street than any other single item. We all make mistakes, and often whopping mistakes, in this business. Only the best and most honest analysts can admit their mistakes and rectify them. Those who cannot are fools, and they soon wreck their subscribers' bank accounts and their own reputations.

Don't underestimate this bear. Trendway (Dick Dysart), who is an expert on breadth, states in his latest report, "Beginning last Friday (Nov. 9) and continuing through Wednesday (Nov. 14) the market was subjected to the most severe selling pressure ever recorded. Four consecutive down days with decline over 1000 and volume averaging 20 million shares is the kind of climax that is talked about but never before recorded." Right, and it seems to be continuing this week. Lipper's index of All Mutual Funds (see last Letter) shows that broad tabulation at minus 18.6% for 1973 so far, while 331 Growth Funds are down 23.1% on average! Those figures, in case you don't realize it, represent mind-boggling losses.

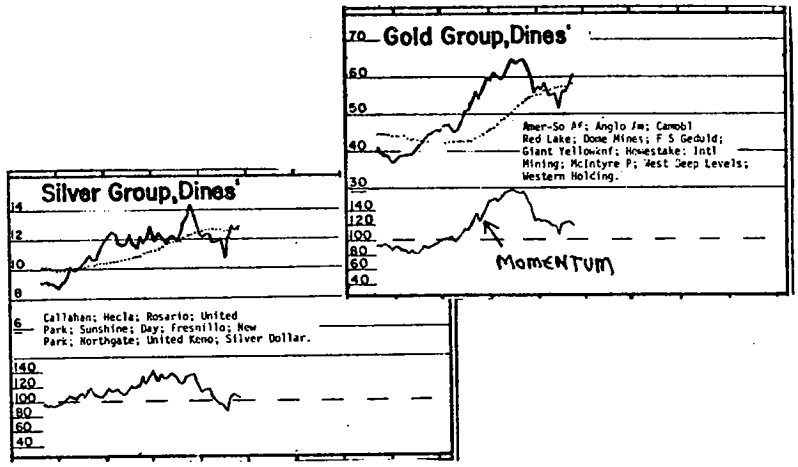
I show here my ratio-scale gold-silver chart. Note that at $90, gold bullion is still well above its long-term rising trendline. In Elliot terms, I place gold at the termination of its second correction (at large numeral 4), following a 1-2-3 correction (correction numbers in circles). The next move should be the final wave 4 to 5, and this should be a "really big show," as Ed Sullivan used to put it.



I am including on page 8 Jim Dines's remarkable long-term point and figure chart of the D-J Utilities, from his Crosschart book, 18 E. 41st St., NYC 10017. Here we see what looks like "the top of the world." Where the Utilities are going, no one can possibly know, but there is no support under them. Remember, the Utility Average led this market higher (it was a bellwether) all during 1949 to 1966. Now, it appears to be leading the market down. There's no point ignoring what this chart is saying. All we can do is "get out of the way."

SAN DIEGO: I used to wax poetic about the wonders of San Diego, but we've got so many people here now that I sort of cool it. Nevertheless, as I look out my window I have to marvel at our climate and at the beauty of this place. A clear, warm day in La Jolla (suburb of San Diego) is enough to make you feel glad to

be alive, even on a 22 point collapse in the Dow. And for those of you who are thinking of a new place to drop anchor, I must admit that prices here continue to amaze me. Live-in maids (Mexican) run $40 a week, which I hear is modest indeed. Heating expenses are minimal. Restaurants here are very inexpensive, with any number featuring meals at $3 per dinner. For those of you who live in San Diego and want great food in great quantities (you'll need restraint I warn you) and who don't mind cafeteria style, try the Nordic Inn on Midway. All you can pack away for $2.60. This may be one of the last great bargains in the Western World, besides, of course, the smog-free air and exquisite climate of San Diego.


Gold Group, Dines'
Amer-So Af; Anglo Am; Camobl
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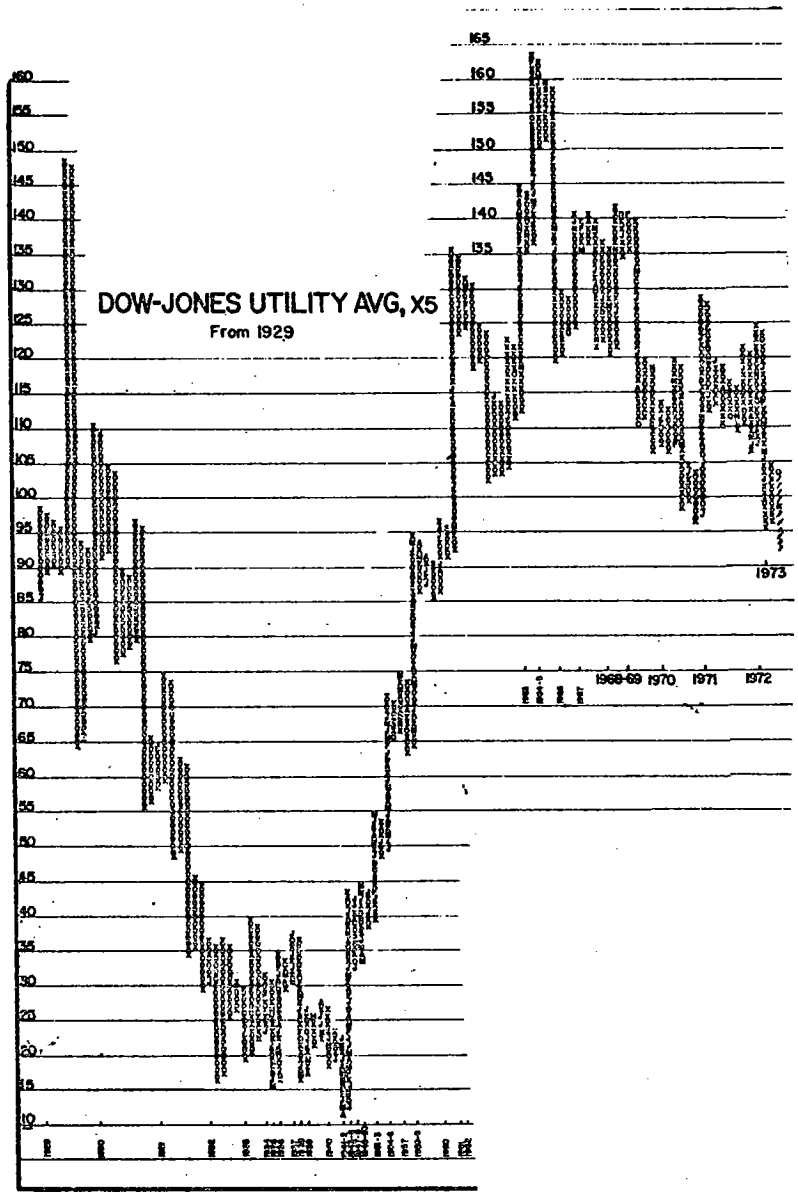
Giant Yellowknf; Homestake; Intl
Mining; McIntyre P; West Deep Levels;
Western Holding.
MOMENTUM
Silver Group, Dines'
Callahan; Hecla; Rosario; United
Park; Sunshine; Day; Fresnillo; New
Park; Northgate; United Keno; Silver Dollar.



LATE, LATE NOTE: Today's closing showed the Dow off 28 points, Transports off 4, Utilities off 1.6 for a new low since 1960 (Utilities, that is). Advances were 197, declines 1396! But volume was fairly low, only 16.4 million shares. This is crash action in the price, but nobody's getting out — there's no volume. Crash action all around entails volume, and for some reason they're not running for the hills yet.. Maybe they won't this time, but before its over I expect to see volume match the price, and I mean volume of 30 to 50 million shares on a price drop of 40 to 50 points. That's the kind of action I feel we might get as we get near the end of this second phase of the bear market.

PRICE ANNOUNCEMENT: As of the first day of 1974, I will be raising the price of Dow Theory Letter to $95 on an annual basis, $55 semi-annually. I have absorbed cost boost in just about everything over the past three years, and have not raised my prices since early 1970. I am sorry to have to raise subscription prices, but I promise to continue to do my absolute best for all my readers, (who I know depend on these reports for information and courses of action).

I want to be as fair as possible with my faithful subscribers, so I am making this offer. I will accept additonal annual subscriptions up to five years ahead at the old price of $75 per year. In other words, if you wish to take an additonal three years of Dow Theory Letters extended from wherever your present subscription terminates, send a check for three times $75 or $225. Thank you for bearing with me.

(Return envelope enclosed)

Russell, you seem to have the truth by the shirt-tails so far, and you've kept me out of this bear market, so I guess I'll go along with you for another year (or a few years). Enclosed find my check covering _____ additonal years (dated from the termination of my current subscription) at the old price of $75 for each year.

NAME_____ ADDRESS_____

CITY_____ STATE_____ ZIP_____